

FDIC State Profile

Fall 2004

Kansas

The Kansas labor market showed improvement in the second quarter 2004.

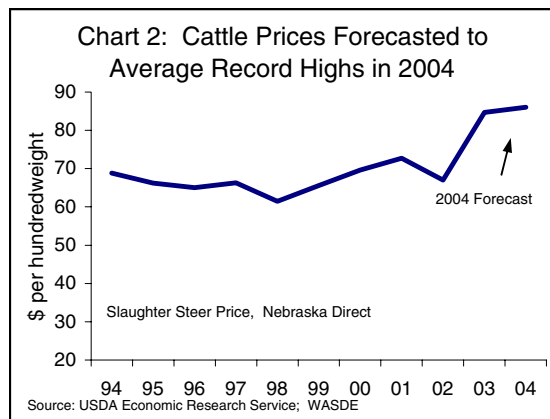
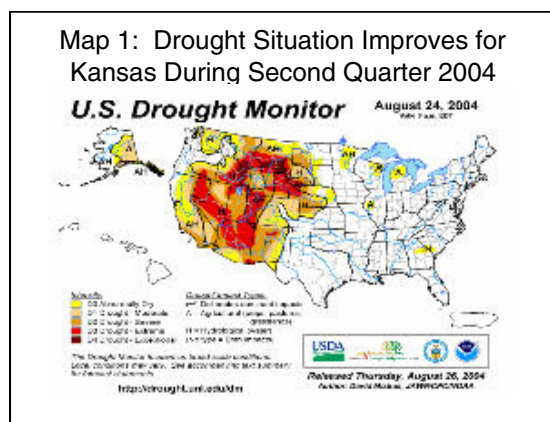
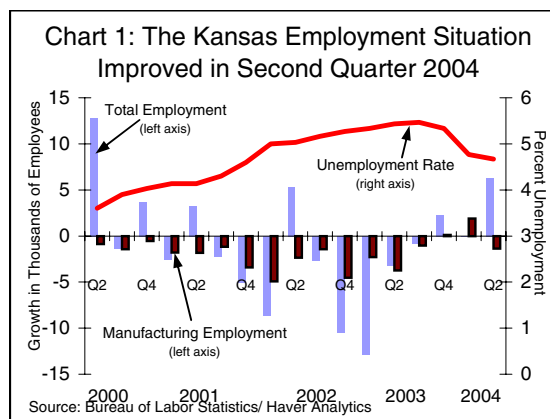
- The Kansas economy added 6,300 jobs in the second quarter of 2004. However, the manufacturing sector posted more job losses after a brief gain in the first quarter. (See Chart 1).
- The unemployment rate declined to 4.7 percent in the second quarter 2004, down from its recent peak of 5.5 percent in the third quarter of 2003.

The drought situation improved in the second quarter 2004, but effects persist.

- Kansas has received adequate precipitation for fall crop growth throughout the state, but moderate to severe hydrological drought conditions persist in the northwestern part of the state (See Map 1).
- The United States Department of Agriculture's (USDA) August 23 crop conditions report indicates improved conditions for the state's 2004 corn crop, with only 7 percent of the crop rated as "very poor" or "poor" compared to the August 26, 2003, report that rated 54 percent of the crop as "poor" or worse.
- Similarly, 19 percent of pasture and range crop conditions are reported as "very poor" or "poor," a tremendous improvement over the August 26, 2003, report that rated 75 percent of the crop conditions as "poor" or worse.

Cattle prices expected to average record highs in 2004.

- In Kansas, cattle receipts account for 61 percent of the state's agricultural revenue.
- Cattle prices are forecasted to average \$86.00 per hundredweight in 2004, the highest annual price on record (See Chart 2). Small domestic supplies and the suspension of imports from Canada support the prices.
- Demand strengthened due to the popularity of high-protein diets, improving personal income, and continuing high prices for pork and chicken.



State Profile

Farm banks in Kansas, Nebraska, and South Dakota that experienced persistent drought conditions report declining past due levels.

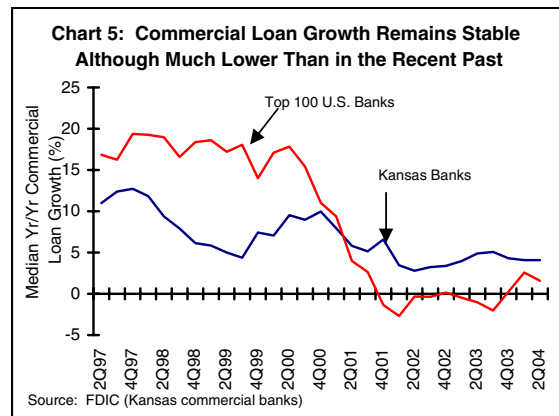
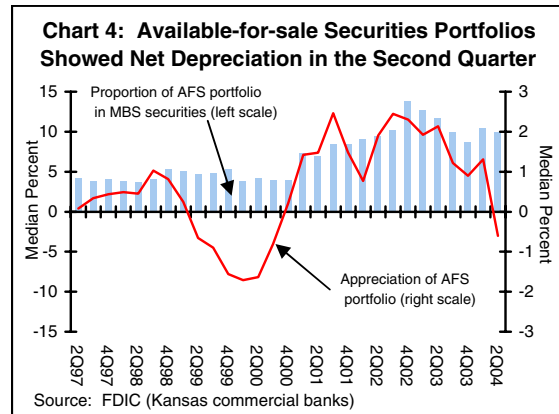
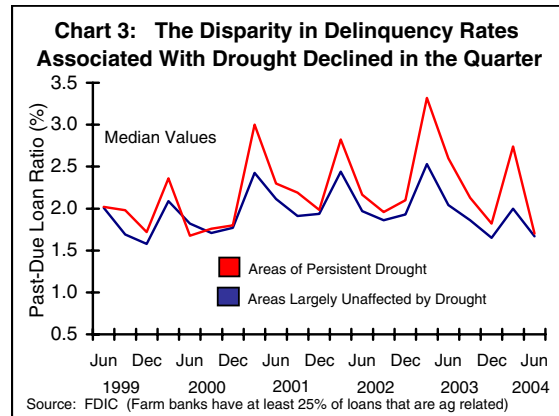
- Although significant portions of the Region's western states continue to struggle with hydrological drought, farmers experienced favorable 2003 fall crop yields and mixed winter wheat crop results. Analysts predict favorable 2004 fall crop results as well.
- As a result of favorable crop production and strong cattle prices, farm banks in the most drought-stricken areas experienced a decline in their loan delinquency portfolios.
- In second quarter 2004, the median past due loan ratio for farm banks in the most drought-stricken areas matched that of farm banks in relatively drought-free areas for the first time in ten consecutive quarters (See Chart 3).

Securities portfolios experienced net depreciation in the second quarter.

- Commercial bank available-for-sale securities (AFS) portfolios registered their first quarter of net depreciation in 15 quarters as the Federal Reserve began tightening monetary policy for the first time since June 2000. (See Chart 4). Current unrealized depreciation represents 0.84 percent of capital versus 3.59 percent in June 2000.
- The value of securities portfolios may be more volatile than recent history, as commercial banks invested heavily in mortgage-backed securities (MBS) over the past few years. MBS typically carry greater market sensitivity than U.S. Treasury and agency securities.
- MBS represent 10 percent of the AFS in second quarter 2004, double the proportion in March 1999.

Commercial banks continue to experience growth in business lending.

- Unlike the nation's largest institutions, Kansas commercial banks continued to experience growth in their commercial lending portfolios over the past several years (See Chart 5).
- However, the growth rate has been much lower than that experienced a few years ago because of the downturn in the state's business sector, especially in manufacturing.
- As the Kansas economy continues to improve, commercial and industrial lending growth should follow that experienced by the nation's largest institutions over the past few quarters.



Kansas at a Glance

General Information	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Institutions (#)	377	379	385	393	392
Total Assets (in thousands)	55,192,765	52,179,210	49,436,339	50,741,240	47,553,961
New Institutions (# < 3 years)	6	8	8	8	7
New Institutions (# < 9 years)	17	18	17	16	13
Capital	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Tier 1 Leverage (median)	9.54	9.48	9.59	9.67	9.68
Asset Quality	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Past-Due and Nonaccrual (median %)	1.63%	1.83%	1.78%	1.93%	1.60%
Past-Due and Nonaccrual >= 5%	48	53	39	45	23
ALLL/Total Loans (median %)	1.45%	1.42%	1.41%	1.41%	1.40%
ALLL/Noncurrent Loans (median multiple)	1.84	1.71	1.91	1.70	2.35
Net Loan Losses/Loans (aggregate)	0.24%	0.32%	0.27%	0.26%	0.26%
Earnings	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Unprofitable Institutions (#)	13	14	22	23	12
Percent Unprofitable	3.45%	3.69%	5.71%	5.85%	3.06%
Return on Assets (median %)	1.04	1.08	1.13	1.11	1.23
25th Percentile	0.68	0.71	0.80	0.74	0.86
Net Interest Margin (median %)	3.91%	3.98%	4.14%	4.15%	4.34%
Yield on Earning Assets (median)	5.40%	5.85%	6.75%	8.11%	8.08%
Cost of Funding Earning Assets (median)	1.47%	1.87%	2.57%	3.96%	3.78%
Provisions to Avg. Assets (median)	0.05%	0.09%	0.09%	0.08%	0.06%
Noninterest Income to Avg. Assets (median)	0.59%	0.62%	0.59%	0.59%	0.56%
Overhead to Avg. Assets (median)	2.92%	2.90%	2.91%	2.96%	2.95%
Liquidity/Sensitivity	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
Loans to Deposits (median %)	74.08%	73.58%	74.46%	75.57%	73.92%
Loans to Assets (median %)	60.43%	61.22%	61.97%	63.08%	62.96%
Brokered Deposits (# of Institutions)	53	48	43	40	31
Bro. Deps./Assets (median for above inst.)	2.65%	3.29%	3.27%	2.54%	1.92%
Noncore Funding to Assets (median)	16.63%	15.84%	15.55%	15.97%	15.42%
Core Funding to Assets (median)	71.84%	71.70%	72.21%	71.89%	72.90%
Bank Class	Jun-04	Jun-03	Jun-02	Jun-01	Jun-00
State Nonmember	224	234	238	244	248
National	97	99	104	108	107
State Member	39	29	26	24	20
S&L	10	10	10	10	10
Savings Bank	7	7	7	7	7
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	288	21,812,976	76.39%	39.52%	
Kansas City MO-KS	44	14,122,672	11.67%	25.59%	
Wichita KS	28	7,722,698	7.43%	13.99%	
Topeka KS	10	10,782,025	2.65%	19.54%	
Lawrence KS	7	752,394	1.86%	1.36%	